



Department of Energy
Western Area Power Administration
Rocky Mountain Customer Service Region
P.O. Box 3700
Loveland, CO 80539-3003

JUN 6 2003

Dear Loveland Area Projects Firm Electric Service Customers and Other Interested Parties:

This letter is to notify Loveland Area Projects (LAP) Firm Electric Service Customers of the upcoming firm electric service rate adjustment process which will formally begin with the publication of a Federal Register Notice (FRN) and end 90 days later. The FRN is scheduled to be published in mid-June. Once published, Western Area Power Administration (Western) will send all firm electric service customers and other interested parties a copy of the FRN in addition to posting it on our website under the "2004 Rate Adjustments" section located at www.wapa.gov/rm/rm.htm.

As part of the rate process, Western has scheduled Forums as follows:

Public Information Forums: July 14, 2003, at 1 p.m. MDT
Radisson Stapleton Plaza
3333 Quebec Street
Denver, CO

July 15, 2003, at 9 a.m. CDT
Southeast Community College
(1st Floor of the Energy Plaza)
11th and O Street
Lincoln, NE

Public Comment Forum: August 6, 2003, at 1 p.m. MDT
Radisson Stapleton Plaza
3333 Quebec Street
Denver, CO

The following information briefly summarizes the rate adjustment information that will be contained in the FRN. A "Proposed Firm Electric Service Rate Adjustment" brochure will soon be available on our website under the "2004 Rate Adjustments" section located at www.wapa.gov/rm/rm.htm. If you would like us to send you a hard copy of the brochure, please e-mail your name and address to Sheila Cook at scook@wapa.gov or call Sheila at (970) 461-7211.

LAP FIRM ELECTRIC SERVICE

Repayment analyses for LAP indicate that the existing firm electric service rate does not meet repayment requirements. In the upcoming FRN, Western will propose the following increases to the LAP firm electric service rates:

LAP FIRM ELECTRIC SERVICE RATES

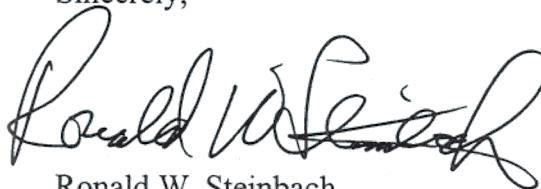
| <u>Class of Power</u> | <u>Existing Rate</u> | <u>January 2004</u> |
|--------------------------------|----------------------|---------------------|
| Firm Capacity (\$/kW-month) | \$2.85 | \$3.14 |
| Firm Energy (Mills/kWh) | 10.85 | 11.91 |
| Composite Rate (Mills/kWh) | 21.70 | 23.81 |

The proposed rate adjustment is scheduled to become effective on an interim basis on the first day of the January 2004 billing period. Your comments and questions concerning the proposed adjustment are requested at the public meetings. Comments may also be sent via e-mail to LapFirmAdj@wapa.gov or sent via hard copy to the following address:

Mr. Joel K. Bladow
Regional Manager
Rocky Mountain Region
Western Area Power Administration
P.O. Box 3700
Loveland, CO 80539-3003

Western will finalize the proposed rate after public discussions are held and public comments are reviewed and considered. Western welcomes your participation in the rate adjustment process and will furnish you with additional information as it becomes available.

Sincerely,



Ronald W. Steinbach
Marketing Manager